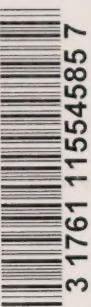


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Publications

NEWFOUNDLAND

ECONOMIC CIRCUMSTANCES AND OPPORTUNITIES



One of a series of staff papers prepared by the federal
Department of Regional Economic Expansion
as a contribution to federal-provincial consultations
on regional development policy in Canada

April, 1973

NEWFOUNDLAND

Economic Circumstances And Opportunities



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INTRODUCTION

The Department of Regional Economic Expansion was established in 1969 to consolidate and strengthen the efforts of the federal government to combat regional disparities and support regional development. The Department carried forward the work of the Prairie Farm Rehabilitation Administration, and the administration of agreements signed under the Agricultural and Rural Development Act and the Fund for Rural Economic Development. The program of the Area Development Agency, which was designed to encourage industrial decentralization, formed the basis for introduction by the Department of a similar but more broadly based program under the Regional Development Incentives Act. Commitments made by the Atlantic Development Board were carried out and a new program of infrastructure assistance was introduced under the "special area" provisions of the Department Act.

In 1972, an internal policy review was undertaken to assess the progress being achieved and, particularly, to provide a basis upon which to meet the challenges of regional development in the mid 1970's. This paper is one of a series prepared as a result of that policy review. Separate papers have been prepared for each province (except for Prince Edward Island), the Atlantic Region, the Western Region, and a region defined for analytical purposes as the Western Northlands. For Prince Edward Island, the Development Plan currently in operation provides the framework and mechanism for joint development of priorities and initiatives and in consequence a separate federal paper is not appropriate. Each paper contains a summary of economic and social circumstances and a discussion of possible areas of opportunity for economic and related social development. Together, they are designed to serve as working papers for consultations with each of the provincial governments which, it is hoped, will result in new and improved approaches to regional economic development.

Regional economic development poses complex problems that vary from period to period and from place to place in Canada. No simple nor single solution is likely to be found. New and more flexible approaches are considered necessary and it is hoped that the discussions with the provincial governments will lead to greater and increasingly more effective federal-provincial action to overcome regional disparities and to encourage economic and social development in the slow-growth parts of Canada.

This paper is meant to be read in the context of observations and suggestions contained in a statement made on April 10, 1973, by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Some relevant excerpts from this statement are set out at the end of each paper as an indication of the approach to regional development being suggested.

ECONOMIC CIRCUMSTANCES

BACKGROUND

From the early 16th century through to the early part of the 20th century, the economy of Newfoundland was almost exclusively based on the cod fishery. The Island's early history was characterized by the exploitation of the fisheries resource by visiting fleets. The Portugese and the French were the first to establish fishing operations off the Island in the 16th century; they were followed some 50 years later by the English. By the 18th century, these visiting fleets had been supplemented by the establishment of a resident fishery. The resident population amounted to some 50,000 persons by the 1820s. Settlement was scattered around the coastline because of the nature of the fishing operation and because of the Island's rugged terrain. The sea was the highway.

Salt cod--a high bulk, low-value commodity--did not generate high incomes for the fishermen. Profits accumulated much more easily for the merchants handling all the fish and all the supplies than for the individual fisherman who could accumulate little from his small volume of low-value product. Thus there developed over the years an inequitable income distribution pattern and for fishermen, a high degree of dependency on local merchants.

Continuing demands by residents for local civil government culminated in the establishment of representative government in 1832. The following period, up to the early 20th century, saw the beginnings of both economic and demographic diversification in Newfoundland. The colony's population had reached some 220,000 by 1901. The completion of a narrow-gauge railway from Port aux Basques to St. John's around the turn of the century helped to open up the interior.

In the ensuing years, the economic base of the colony expanded to include the exploitation of the mineral and forest resources. Whereas the fishing industry accounted for nearly 84 per cent of the gross value of production by major industries around the turn of the century, by Confederation in 1949 it accounted for only 44 per cent. Over the same period, the

forestry and mining industries' percentage of the gross value of goods production climbed nearly fourfold to some 56 per cent of the provincial total. By 1951, there were 361,416 people living in the province.

The people of Newfoundland entered the post-Confederation era with high anticipation. The goal was a high degree of economic expansion which it was hoped would result in a significant rise in the basic standard of living while leaving relatively untouched the traditional social and cultural style of life.

Some of these hopes at least are being realized. The Newfoundland economy has grown rapidly since 1949. The gross provincial product (GPP) rose from \$202 million in 1949 to \$1,347 million in 1971, an average annual increase of 9.0 per cent over the 22 years. The economy was considerably diversified during this time, with a major enlargement of the government sector, a pronounced expansion in construction activity, important mining developments in Labrador and the Baie Verte peninsula, structural changes in the fishing industry, and rapid growth in the service industries. Also, increased urbanization has changed the living habits of many Newfoundlanders.

RECENT PAST

Table 1 summarizes economic developments in Newfoundland between 1961 and 1971. The decade is analyzed in detail in subsequent sections.

The 1960s was a decade of relatively strong economic growth which saw the narrowing of a number of gaps that existed between Newfoundland and the rest of Canada. Increases were registered in most production sectors. Total net value added went up by 140.0 per cent during 1961-70. The GPP grew from \$515.0 million to \$1,347.0 million between 1961 and 1971, an average annual increase of 10.1 per cent. Simultaneously, a number of structural changes were taking place in the provincial economy, which reduced the Island's reliance on fishing and forestry while they expanded the role of services, mining and construction.

Although the urbanization trend evident throughout Canada during the decade proceeded at a similar pace in Newfoundland, the provincial level of urbanization in 1971 remained below the national level. Emigration from the province was high, averaging about 4,200 persons annually over the decade, which nullified the strong rate of natural population increase. The result was that the rate of population growth during the 1960s was below the national average. Out-migration also seemed to reduce the provincial unemployment rate during

TABLE 1

SELECTED ECONOMIC INDICATORS: DECENNIAL RATES OF CHANGE BY PROVINCE/REGION, 1961-71

	Population	Labour Force	Employment	Census Value Added in the Goods Producing Sector ^a	Value of Manufacturing Shipments ^b	Personal Income Per Capita	Investment Per Capita	CNP/GRP/GPP
	%	%	%	%	%	%	%	%
Canada	18.3	32.4	33.4	93.5	101.3	106.2	94.0	134.8
Atlantic Region	8.4	18.4	21.9	117.6	91.0	114.7	149.0	131.2
Newfoundland	14.2	na	na	179.2	97.5	130.1	149.8	161.6
Nova Scotia	7.2	na	na	97.3	97.2	103.3	132.4	117.5
New Brunswick	6.2	na	na	95.7	82.2	120.0	132.5	130.6
Prince Edward Island	6.7	na	na	97.2	101.9	125.3	60.4	137.2
Quebec	14.6	31.5	33.0	79.4	86.1	103.4	66.4	125.5
Ontario	23.5	35.3	35.7	96.1	114.6	103.0	101.1	151.0
Prairie Region	11.5	21.4	121.6	100.6	81.9	114.6	69.1	na
British Columbia	34.1	58.4	60.7	92.0	101.3	96.0	120.5	164.1

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na: not available

Source: Computed from various Statistics Canada data sources with the exception of the NB GPP figure which reflects provincial government estimates.

the late sixties to a level closer to the national rate than was the case earlier in the decade.

In 1971, Newfoundland was still a province heavily dependent on its natural resources. This dependency phenomenon is likely to remain valid for a long time to come.

Population

In 1971 English was the mother tongue for nearly 99 per cent of the Island's residents, reflecting the fact that Newfoundland's population is almost entirely of British and Irish extraction. Between 1961 and 1971, the number of people in the province increased by roughly 65,000, from 457,853 to 523,104. The rate of population growth at almost 1.3 per cent a year, however, was less than the Canadian average of 1.7 per cent. As a proportion of the national total, the provincial population declined slightly from 2.5 per cent in 1961 to 2.4 per cent a decade later. The rate of population growth during this period was relatively constant although it dropped noticeably in 1970. Almost two-thirds of the increase in population in the province occurred in Metropolitan St. John's, which increased in size by some 41,000 people. This figure shows the strength of the rural to urban shift underway within the province.

Table 2 shows the age distribution of the populations of Newfoundland and Canada in 1961 and 1971 for selected age groupings. Assuming that the economically-active population is represented by the 15 to 64 age group and that the younger and older population segments are dependent on the efforts of this core group, it follows that the dependency ratio in Newfoundland was significantly above its national counterpart in both 1961 and 1971. On the other hand, the gap between the two ratios decreased slightly over the period. While the proportion of senior citizens in the province increased slightly between 1961 and 1971, the 0-14 age group declined in relative size, although at the beginning of the 1970s it remained much larger than its Canadian equivalent.

TABLE 2
POPULATION AGE DISTRIBUTION
NEWFOUNDLAND & CANADA, 1961 & 1971

<u>Year</u>	<u>Age Grouping</u>			<u>Dependency Ratio</u> (0-14 & 65 & over/ 15-64)
	<u>0-14</u> %	<u>65 & over</u> %	<u>15-64</u> %	
1961 Newfoundland	41.8	5.9	52.3	0.91
1961 Canada	34.0	7.6	58.4	0.71
1971 Newfoundland	37.3	6.1	56.6	0.77
1971 Canada	29.6	8.1	62.3	0.60

Source: Computed from Census of Canada data.

The natural rate of increase in Newfoundland's population declined from 26.2 per 1,000 in 1961 to 17.8 per 1,000 in 1971. The average annual rate of increase over the decade was about 22.5 per 1,000. The birth rate in Newfoundland declined sharply between 1961 and 1971 from 33.2 to 23.7 per 1,000. The corresponding national figures were 26.3 and 17.3. Although higher in absolute terms, birth rates in Newfoundland have followed the national decline over the decade. In contrast, the death rate in the province over the past decade has been lower than the national average and has also declined more rapidly. Newfoundland's death rates in 1961 and 1971 were 6.8 and 5.9 per 1,000 respectively. The comparable national rates were 7.7 and 7.3. The decline in Newfoundland reflected an increasingly younger population and improvements in the availability of medical services. The combination of a relatively high birth rate and a lower than average death rate resulted in a higher rate of natural population increase in Newfoundland than in Canada generally.

Migration

Since the mid-1950s, Newfoundland has consistently experienced net out-migration. The essentially resource-based provincial economy has been unable to absorb the large influx of young people into the labour force resulting from the high rate of natural population increase. Young people have been forced to seek employment elsewhere, thereby lowering the rate of population growth in the province below what it would otherwise have been. A net outflow of some 46,000 people occurred during the 1961-71 period; the average annual rate of exit was 8.5 per 1,000. Only Saskatchewan displayed a higher rate for the same period. Net out-migration peaked initially between 1964

TABLE 3

SELECTED ECONOMIC DATA FOR MAJOR INCORPORATED CENTRES IN NEWFOUNDLAND

1960/61 - 1970/71

	Population <u>1961</u>	<u>1971</u>	Total Taxable Income		Value of Retail Sales		Value of Mfg. Shipments	
			<u>1960</u>	<u>1970</u>	<u>1961</u>	<u>1966</u>	<u>1960</u>	<u>1970</u>
			\$M		\$M		\$M	
St. John's	90,838	131,814	75.4	221.2	116.9	221.5	31.6	57.1
Corner Brook	25,185	26,309	18.7	50.3	28.0	50.6	na	54.7 ^a
Total	116,023	158,123	94.1	271.5	144.9	272.1	na	111.8
Total Province	457,853	522,104	202.5	675.2	276.8	533.3	129.3	263.3
Major Centres as % of Province	25.3	30.3	46.5	40.2	57.3	51.0	na	42.5

na: not available.

^aData relates to Census Division No. 5, but it overstates the figure for Corner Brook by only about 2%.Sources: Statistics Canada, Census of Canada (Population) & Census of Canada (Retail Trade);Financial Post, Survey of Markets, 1963 and 1972 editions.

and 1966, when the average rate reached 12.3 per 1,000. Subsequently, the net outflow moderated until 1970 when it jumped to 13.9 per 1,000. Surprisingly perhaps in view of the foregoing points, preliminary estimates suggest that the province may have experienced a net inflow of people in 1972. The last time such a phenomenon occurred was in 1954.

Urban Trends

Newfoundland is undergoing the same urbanization process as elsewhere in Canada. In 1961, the population was 50.7 per cent urban and 49.3 per cent rural. By 1971, it had become 57.2 per cent urban and 42.8 per cent rural. In comparison, the Canadian population in 1961 was 69.6 per cent urban and 30.4 per cent rural; by 1971 it was 76.1 urban and 23.9 rural. Thus, while the extent of urbanization in Newfoundland is well below that of the nation, the rate is much the same.

The two major urban centres in Newfoundland, St. John's and Corner Brook, had populations in 1971 of 131,814 and 26,309 respectively. Together, they accounted for 30.2 per cent of the total provincial population in that year. St. John's was the more dynamic of the two in terms of population growth over the preceding decade, accounting for 62.8 per cent of total provincial population growth during the period. The two centres jointly accounted for over 50 per cent of retail sales in the province in both 1961 and 1971. At the same time, they accounted for 46.5 per cent of taxable income in 1960 and 40.2 per cent in 1970 (cf. Table 3). Newfoundland contained seven other urban centres with a population of over 5,000 in 1971: Stephenville (7,770), Gander (7,748), Grand Falls (7,677), Mount Pearl (7,211), Windsor (6,644), Channel-Port aux Basques (5,942) and Wabana (5,421).

ECONOMIC INDICATORS

Gross Provincial Product (GPP)

Table 4 relates to the GPP. It contains selected indicators which collectively permit the evaluation of growth both over time and relative to the nation as a whole. It should be noted that inflation has been ignored, i.e., values are stated in current dollars and, to the degree that inflation was a factor in the economy, they reflect price increases rather than productivity changes. By way of illustration, the rate of national inflation in 1972 was a not inconsiderable 4.5 per cent. The GPP rose from \$515.0 million in 1961 to \$1,347.0 million in 1971; the per capita increase was from \$1,124.7 to \$2,575.5. During the decade, most sectors of the Newfoundland economy expanded their output, the biggest gains being realized by the mining, construction and service industries. GPP growth was relatively constant throughout the period, averaging 10.1 per cent on a compound average annual basis.

TABLE 4

NEWFOUNDLAND'S GROSS PROVINCIAL PRODUCTSELECTED INDICATORS, 1961-71

<u>Year</u>	<u>GPP</u> <u>\$M^a</u>	<u>Annual</u> <u>Change</u> <u>in GPP</u> <u>%</u>	<u>GPP As</u> <u>A % of</u> <u>Canada</u> <u>%</u>	<u>GPP</u> <u>Per</u> <u>Person</u> <u>%</u>	<u>GPP</u> <u>Per</u> <u>Person</u> <u>As a %</u> <u>of</u> <u>Canada</u> <u>%</u>	<u>Annual</u> <u>Change</u> <u>in GPP</u> <u>Per</u> <u>Person</u> <u>%</u>
1961	515	na	1.3	1124.7	51.7	na
1962	547	6.21	1.3	1168.8	50.6	3.9
1963	596	8.96	1.3	1252.1	51.6	7.1
1964	664	11.41	1.3	1374.7	52.7	9.8
1965	746	12.35	1.3	1528.7	54.2	11.2
1966	822	10.19	1.3	1666.0	53.9	9.0
1967	899	9.37	1.4	1801.6	55.3	8.1
1968	1003	11.57	1.4	1982.2	56.5	10.0
1969	1108	10.47	1.4	2155.6	56.8	8.7
1970	1236	11.55	1.5	2390.7	59.6	10.9
1971	1347	8.98	1.5	2575.5	59.7	7.7

^a As elsewhere in this paper, all dollar figures are in current dollars.

na: not available

Source: GPP estimates were prepared by the Atlantic Provinces Economic Council.

Newfoundland's share of GNP rose from 1.3 per cent to 1.5 per cent. At the same time, GPP per person as a percentage of per capita GNP rose from 51.7 per cent in 1961 to 59.7 per cent in 1971.

Personal Income

Personal income in Newfoundland rose from \$440 million in 1961 to \$1,154 million in 1971, a compound average annual rate of 10.1 per cent. The corresponding national rate was 9.2 per cent. The above-average rate of increase in Newfoundland was reflected in large gains in personal income per capita over the decade. In 1961, the provincial per capita figure was 58.2 per cent of its national counterpart; by 1971, it had risen to 64.9 per cent. Provincial personal income per capita in the latter year amounted to \$2,211. The government transfer payments component of personal income in Newfoundland rose from 16.4 per cent in 1961 to 23.7 per cent in 1971. In contrast, the component's share at the national level increased from 9.0 per cent to 11.3 per cent. Government transfer payments per person for the province as a percentage of Canada jumped from 105.8 per cent to 135.5 per cent between 1961 and 1971. Not unexpectedly, earned income per capita in Newfoundland throughout this same period remained well below the national average. Whereas in 1961 it was 55.9 per cent of the national figure, by 1971 the gap had only narrowed slightly to 58.6 per cent of the national average (cf. Table 5).

Investment

Investment in Newfoundland over the 1961-71 decade was encouragingly high (cf. Table 6). The level of activity rose continuously upwards except during 1963 and 1964. It reached \$739.9 million in 1971, a sum equal to 3.1 per cent of total investment in Canada. In comparison, Newfoundland's share of the national investment total in 1961 was only 2.0 per cent. The average rate of investment increase in the province was well above the national rate over the 1961-71 period. Investment per capita exceeded the national level in 1962, 1968, 1970 and 1971.

Relative to Canada, a higher portion of investment in Newfoundland was channeled into the primary and construction industries and into the utilities sector, taking the 1961-71 decade as a whole. In contrast, investment in other industries, including manufacturing, was relatively low in the province. Manufacturing investment amounted to less than 10 per cent of total Newfoundland investment between 1961 and 1971 compared to 18 per cent for all of Canada. The distribution of investment by sector in Table 6 gives a good indication of the extent to which the Newfoundland economy depends on resource-based industries.

TABLE 5

PERSONAL INCOME IN NEWFOUNDLAND
SELECTED INDICATORS, 1961-71

<u>Year</u>	<u>Personal Income</u> \$M	<u>Government Transfer Payments</u> As a % of <u>Personal Income</u> Nfld. Canada		<u>Personal Income Per Capita</u> \$ Nfld. As A % of <u>Canada</u>		<u>Earned Income Per Capita;</u> Nfld. As A % of <u>Canada</u>		<u>Government Transfer Payments</u> Per Capita; Nfld. As a % <u>Of Canada</u>	
1961	440	16.4	9.0	961	58.2	55.9		105.8	
1962	462	16.7	8.9	987	55.9	53.4		105.0	
1963	493	16.2	8.6	1036	56.3	54.1		106.8	
1964	531	15.6	8.5	1099	56.9	54.9		104.4	
1965	604	18.2	8.3	1238	59.2	55.4		129.4	
1966	680	19.0	8.1	1379	59.9	55.4		139.7	
1967	755	21.5	9.2	1513	61.0	55.1		141.8	
1968	837	21.9	9.8	1654	61.5	55.7		136.8	
1969	924	21.0	10.0	1798	61.1	56.1		128.4	
1970	1032	21.5	10.6	1996	63.9	58.9		130.3	
1971	1154	23.7	11.3	2211	64.9	58.6		135.5	

Source: Statistics Canada, National Income and Expenditure Accounts:
Historical Revision, 1926-1971.

TABLE 6

INVESTMENT IN NEWFOUNDLAND--SELECTED INDICATORS, 1961-71

YEAR	TOTAL INVESTMENT ^a \$M. % of Canada	TOTAL INVESTMENT PER CAPITA AS A % OF CANADA		DISTRIBUTION OF TOTAL INVESTMENT BY SECTOR										
		%	CANADA	PRIMARY INDUSTRIES & CONSTRUCTION		HOUSING, INSTITUTIONAL SERVICES & GOV'T DEPTS.		UTILITIES		FINANCE, TRADE, & COMMERCIAL SERVICES		MANUFACTURING		
				NFLD.	CANADA	NFLD.	CANADA	NFLD.	CAN.	NFLD.	CAN.	NFLD.	CAN.	
1961	229.4	2.0	81.8	100.0	31.7	15.4	38.5	38.2	13.2	21.6	5.0	9.0	11.6	15.8
1962	304.7	2.6	101.9	100.0	47.0	15.5	29.4	39.2	10.6	19.7	3.6	8.6	9.3	17.0
1963	288.9	2.3	90.1	100.0	37.7	16.2	40.0	38.3	11.1	20.0	4.4	8.6	6.7	16.9
1964	299.9	2.1	82.2	100.0	36.1	16.6	42.8	36.5	9.0	19.8	5.2	8.5	6.9	18.7
1965	315.5	1.9	75.6	100.0	26.7	16.3	44.8	35.5	14.8	19.6	7.1	8.9	6.6	19.7
1966	437.5	2.2	91.3	100.0	28.6	16.5	35.9	33.9	17.7	19.9	8.0	9.1	9.8	20.6
1967	469.6	2.3	95.7	100.0	28.1	16.7	33.6	35.0	20.3	20.8	5.4	9.0	12.6	18.4
1968	512.1	2.5	102.3	100.0	19.6	16.3	34.2	37.3	29.9	21.0	4.4	8.7	11.9	16.8
1969	514.3	2.3	95.0	100.0	17.2	15.8	30.2	37.1	43.0	19.9	4.8	8.3	6.8	17.6
1970	642.4	2.7	112.8	100.0	18.8	15.6	24.9	35.1	43.4	20.7	4.1	8.8	8.8	19.8
1971 ^b	793.9	3.1	127.8	100.0	24.9	16.5	31.5	37.8	26.8	20.4	3.1	8.2	13.7	17.1

^a Total investment = total new capital and repair expenditures on construction and machinery.

^b Preliminary actual data.

Source: Canada, Department of Industry, Trade and Commerce & Statistics Canada, Private & Public Investment in Canada: Outlook and Regional Estimates, SC Cat. # 61-205, various issues.

Output

Tables 7 and 8 set out the net value of production by each major industry or industry grouping in Newfoundland during 1961 and 1970 and permit a comparison between the industrial structures of the province and Canada. Table 7 shows the percentage distribution of value added by industry. Table 8 indicates the net value of production by industry for the province in dollar terms and relates percentage increases over the 1960s in Newfoundland to those in Canada.

The net value of production in Newfoundland increased by 140.0 per cent during the 1961-70 period, growing from \$515.0 million to \$1,236.0 million. By comparison, net value of production in Canada increased by 115.5 per cent. All sectors of the Newfoundland economy expanded, at least in current dollar terms. Mining, electric power and construction recorded the greatest percentage increases; each grew by over 200 percentage points. On the other hand, services (valued at \$551.7 million in 1970), construction (\$236.1 million) and mining (\$226.5 million) were the largest Newfoundland industries at the end of the 1960s.

Table 7 suggests that the structure of the Newfoundland economy changed somewhat over the 1961-70 period. While manufacturing, forestry and services underwent a relative decline, relative gains were experienced by mining, construction and the goods-producing sector generally. The fishing and electric power industries changed very little in relative terms. It should be noted finally that, whereas the service sector decreased in relative importance in Newfoundland over the 1960s, in Canada the reverse occurred.

Labour Force and Employment

The Newfoundland labour force increased over the 1965-72 period from 133,000 to 165,000 (cf. Table 9) at a compound average annual rate of 3.1 per cent, or slightly less than the 3.2 per cent rate registered at the national level. It is worthy of note that the labour force in the province expanded by 10,000 or 6.8 per cent between 1970 and 1971 alone. While the absolute figure was equal to 31.3 per cent of the total increase in the provincial labour force over the period under review, the percentage increase was well over twice the comparable national one (3.1%).

Employment in Newfoundland climbed more or less steadily from 119,000 in 1965 to 145,000 in 1972, an overall increase of 26,000 or 3,700 a year. The compound annual rate of increase was 2.9 per cent compared to 3.0 per cent at the national level.

TABLE 7

STRUCTURAL CHANGES
NEWFOUNDLAND AND CANADA, 1961-70

<u>Industry</u> ^a	<u>Net Value of Production</u>					
	<u>Newfoundland</u>			<u>Canada</u>		
	<u>1961</u>	<u>1970</u>	<u>Change in Relative Weight of Industry, 1961-70</u>	<u>1961</u>	<u>1970</u>	<u>Change in Relative Weight of Industry, 1961-70</u>
	%	%		%	%	
Construction	14.7	19.1	+4.4	7.0	7.2	+0.2
Manufacturing	13.5	10.0	-3.5	26.3	23.5	-2.8
Mining	10.5	18.3 ^b	+7.8	4.4	4.5	+0.1
Forestry	3.9	1.8	-2.1	1.7	0.8	-0.9
Fishing	2.9	2.9	na	0.3	0.2	-0.1
Electric Power	2.1	3.2	+1.1	2.1	2.0	-0.1
Trapping	na	na	na	na	na	na
Agriculture	na	na	na	4.5	3.3	-1.2
Total Goods- Producing	47.6	55.4	+7.8	46.3	41.6	-4.7
Services ^c	52.4	44.6	-7.8	53.7	58.4	+4.7
GPP	100.0	100.0	na	100.0	100.0	na

na: not applicable/insignificant.

^a Ranked by size of net value of production or value added in Newfoundland in 1961.

^b Derived from a preliminary datum.

^c Residual figures obtained by subtracting the value added by the goods-producing industries from the GPP. They comprise domestic factor incomes earned in the service industries, plus indirect taxes, less subsidies, less income paid to non-residents, plus income earned outside the province by residents, and may either overstate or understate the true net value of service output.

Source: Computed from Statistics Canada, Survey of Production, 1970, Cat. #61-202, and Table 4 above.

TABLE 8

OUTPUT GROWTH IN NEWFOUNDLAND
BY INDUSTRY, 1961-70

Industry ^a	Net Value of Production			
	Newfoundland			Canada
	1961	1970	% Increase	% Increase
	\$'000	\$'000		
Mining	54.0	226.5 ^c	319.4	124.7
Electric Power	10.7	39.1	265.4	102.9
Construction	75.9	236.1	211.1	119.8
Trapping	0.05	0.13	160.0	12.8
Fishing	14.9	36.1	142.3	84.3
Manufacturing	69.3	123.6	78.4	92.1
Forestry	20.3	22.7	11.8	2.5
Agriculture	<u>na</u>	<u>na</u>	<u>na</u>	<u>60.6</u>
Total Goods- Producing	245.1	684.3	179.2	93.5
Services	<u>269.9^b</u>	<u>551.7^b</u>	<u>104.4</u>	<u>134.5</u>
GPP	515.0	1,236.0	140.0	115.5

^a Ranked by size of percentage increase in Newfoundland over the 1961-70 period.

^b See Table 7.

^c Preliminary datum.

na: not applicable/insignificant.

Source: See Table 7.

TABLE 9

NEWFOUNDLAND'S LABOUR MARKET -- SELECTED INDICATORS, 1965-72

Year	Labour Force '000	Employment '000	Unemployment '000	Unemployment Rate		Labour Force Participation Rates					
				Nfld. %	Canada %	Total		Male		Female	
						Nfld. %	Canada %	Nfld. %	Canada %	Nfld. %	Canada %
1965	133	119	15 ^a	11.3	3.9	43.3	54.4	64.6	77.9	20.8	31.3
1966	139	127	11	7.9	3.6	44.3	55.1	64.8	77.8	22.2	32.8
1967	143	131	12	8.4	4.1	44.3	55.5	63.6	77.5	23.6	33.8
1968	144	130	14	9.7	4.8	43.6	55.5	62.1	77.0	24.2	34.4
1969	146	131	15	10.3	4.7	43.2	55.8	61.0	76.6	24.7	35.2
1970	148	133	16	10.8	5.9	42.9	55.8	61.4	76.4	24.3	35.5
1971	158	139	18	11.4	6.4	44.9	56.1	63.1	76.1	25.6	36.5
1972	165	145	20	12.1	6.3	45.7	56.5	64.1	76.2	26.6	37.1

^a Apparent inconsistencies in the table are due to rounding.

Source: Statistics Canada, Labour Force, Cat. #71-001.

Whereas Newfoundland's labour force amounted to 31.0 per cent of the total provincial population in 1972, the comparable Canada figure was 40.7 per cent. A difference in age structure combined with a very low labour force participation rate in the province to produce this result. The aggregate Newfoundland participation rate was only 45.7 per cent in 1972 compared to 56.5 per cent in Canada. Both male and female 1972 participation rates in Newfoundland, at 64.1 and 26.6 per cent respectively, were lower than their Atlantic Region equivalents and far below the Canadian analogues of 76.2 per cent and 37.1 per cent.

The very high unemployment rates prevailing in Newfoundland between 1965 and 1972 could have been at least partly responsible for the low participation rates. The unemployment rate on average was slightly above 10 per cent during this period compared to an average rate of slightly under 5.0 per cent in Canada. However, the province improved its position relative to the Canadian rate over the last half of the 1960s. The 1972 unemployment rate in Newfoundland was 12.1 per cent compared to a national rate of 6.3. Despite large-scale net out-migration over the 1960s, Newfoundland's unemployment rate was well above the rates prevailing in the other Atlantic Provinces. The relatively high rate of natural population increase in the province was the major factor behind the high rate of increase in the labour force.

As elsewhere in Atlantic Canada, average wage levels in Newfoundland were well below average national levels during the decade prior to 1972. In 1970, for example, the average wage in Newfoundland's goods-producing sector was equal to 89 per cent of its Canadian counterpart. On the other hand, it was higher than that in the other Atlantic Provinces--the comparable percentage for the Atlantic Region as a whole was 84 per cent.

Fiscal Capacity

Newfoundland has traditionally financed its expenditures with borrowed funds to a greater extent than any other province. In fiscal 1965-66, for example, the total provincial debt, expressed as a percentage of personal income, was double the Canadian average. The total debt in dollar terms was equivalent to \$674 per person in 1965-66. Debt obligations increased very rapidly thereafter, reaching a level of \$1,955 per person in fiscal 1971-72. The total debt service load, i.e., interest payments and sinking fund charges, increased from a level equal to nearly 15 per cent of current revenues in fiscal 1965-66 to an expected level of 22 per cent in fiscal 1972-73. Newfoundland itself raised only 36 per cent of its total gross revenues in fiscal 1972-73; the remainder of its budget was funded by federal grants. In terms of dollars per head of population, these grants were 2.5 times larger than

the Canadian average.

Table 10 illustrates the revenue-generating capacity of all 10 Canadian provinces for the fiscal year, 1971-72. It can be seen that, on a per capita basis, Newfoundland's fiscal capacity was lower than that of any other province. Taking the all-provinces average as 100.0, the comparable Newfoundland figure was 53.9. This reflects in considerable measure the province's relatively slim personal and corporate income tax bases. However, the situation confronting the provincial government is improving, albeit very slowly; Newfoundland's relative fiscal capacity position in fiscal 1963-64 was only 53.6 per cent of the all-provinces average.

Table 10 also indicates that Newfoundland's tax effort in fiscal 1971-72 was surpassed only by New Brunswick and Quebec. The province's relative effort increased between 1963-64 and 1971-72 from 106.7 per cent of the all-provinces average to 113.8 per cent.

PROJECTIONS

What will the future be if Newfoundland continues along the path it has been on for the past decade? This section attempts to comment on and forecast some of the current trends in the Newfoundland economy. It is assumed that most economic forces will not change dramatically, that existing federal and provincial policy mixes will remain broadly the same, and that no major new factors will appear in the near future. This section does not describe what should or could be made to happen--that is the subject of some of the following parts of this paper. This section merely attempts to suggest what might happen if existing trends and policies remain essentially unaltered. Of course, the basic approach to development inherent in subsequent parts is to shift the trends so that the negative aspects of what might happen will not in fact occur.

Agriculture has traditionally been of very minor importance in Newfoundland. An adverse climate and the limited availability of land suitable for agriculture combine to limit severely the scope for agricultural development. Only 21,000 acres of land were used for agricultural purposes in 1971. A very large part of the demand for agricultural products was met by imports from the rest of Canada. This situation will likely continue to prevail in future. Over the 1951-71 period, agricultural employment declined markedly from 3,500 to roughly 1,900. It is possible, however, that employment in the industry can henceforth be stabilized.

Employment in the fisheries sector reached a maximum of nearly 23,000 in 1964; it has declined steadily since. In 1970, there were still nearly 18,000 fishermen in the province,

TABLE 10

FISCAL CAPACITY INDICATORS, 1971-72

(Tax Indicator Approach)

	Per Capita Actual Revenue ^a	Per Capita Revenue Yield at Average Provincial Tax Rates	Per Capita Revenue Yield Index at Average Provincial Tax Rates	Index of Tax Effort
Newfoundland	\$279.15	\$245.27	53.9	113.8
Prince Edward Island	283.99	267.32	58.6	106.7
Nova Scotia	305.76	332.77	73.0	91.9
New Brunswick	376.59	304.73	67.2	123.6
Quebec	436.09	381.82	83.8	114.2
Ontario	497.24	504.96	111.1	98.5
Manitoba	397.64	404.07	88.9	98.4
Saskatchewan	384.08	396.14	87.0	97.0
Alberta	495.01	624.60	137.5	79.2
British Columbia	508.57	547.03	120.0	93.2
All Provinces	453.92	453.92	100.0	100.0

^aFrom 16 major tax sources.Source: Department of Finance, unpublished data
(July 1971).

a total equal to 13 per cent of aggregate provincial employment. A sharp reduction of employment has occurred recently in the traditional inshore fishery. This drop has been only partially offset by an expansion of employment opportunities in the much more capital-intensive offshore fishery and the fish processing industry. Value added per Newfoundland fisherman in 1969 was equal to only 35 per cent of value added in Nova Scotia. Fish landings reached a maximum of 500,000 short tons in 1969 but since then they have declined rather rapidly. Landings in 1971 were only 440,000 short tons; during the first nine months of 1972, they were only 61 per cent of the total during the equivalent period of 1971. Almost all of the decline can be attributed to over-exploitation of the herring stock for fishmeal.

The future of the province's fishing industry is critically dependent upon national and international policies regarding offshore fishing rights and the future exploitation of the North Atlantic fisheries resource. It is likely that fisheries will remain a key part of the Newfoundland economy in future but as things are it could provide a decreasing number of employment opportunities. Employment growth in the offshore fishery could be more than offset by a further employment decline in the low-productivity inshore fishery.

Forestry has historically been an important part of Newfoundland's economic base. During the 1961-71 decade, however, employment in this sector declined as did its relative contribution to value added. While there are about 1,000 saw-mills in Newfoundland, the vast majority of them are small and inefficient. Their aggregate output has not increased over the last twenty years and a major part of the province's demand for lumber is met by imports. The two paper-mills presently operating in Newfoundland hold 63 per cent of the Island's productive forest under concession. The new linerboard mill at Stephenville will utilize a major part of the province's as yet unexploited resources. Nonetheless, the possibility of a mill in the Come-by-Chance area is still under study. Forestry employment in Newfoundland could stabilize at about the 4,000 level with productivity increases being offset by output expansion.

The mining industry in the province has expanded rapidly since 1961. Its share of total value added by the goods-producing sector was 33.1 per cent in 1970, indicating its relative economic importance to the province. Employment, as indicated earlier, advanced markedly from 3,300 in 1961 to 5,900 in 1970, an average yearly increase of 6.7 per cent. This rate compares very favourably with the annual growth rate of 2.1 per cent for the entire Canadian mining industry. The advance in Newfoundland resulted from the expansion of the iron ore mining industry in Labrador which more than offset the decline in mining employment on the Island associated in large part with

the closing of the Wabana iron ore mine. Mining employment could continue growing in Newfoundland at approximately the rate experienced since the beginning of the 1960s, resulting in an employment forecast of 10,000 for the industry by 1980.

Value added in the manufacturing sector has increased very slowly since 1951 with the result that its relative share of value added by the goods-producing sector as a whole has undergone a steep decline. However, employment rose from 9,900 in 1961 to 12,600 in 1969 or at an average yearly growth rate of 2.7 per cent, a figure somewhat below the Canadian equivalent of 2.8 per cent. The rate of growth in Newfoundland during the 1960s was well above the secular average; between 1951 and 1969, the average annual growth rate was only 1.2 per cent--employment levels in manufacturing were fairly stable throughout the 1950s. Over the 1970s, manufacturing employment is projected to grow at a rate of 2.1 per cent per annum, a figure somewhat less than the 1961-69 average.

During the 1960s, value added by the construction sector was nearly a third of the value generated by the entire goods-producing sector. The comparable figure for Canada was only about 16 per cent. Employment in the sector was relatively high, but not as high as the value added share would lead one to expect. Somewhat surprisingly, value added per employee was substantially higher in Newfoundland than in Canada. The large volume of construction undertaken directly by homeowners may partially explain this phenomenon. Increased urbanization has created a demand for housing, although the high emigration rates have taken off some of the pressure. The ratio between the number of houses built and the population in recent years has been well below the Canadian average. On the other hand, the Newfoundland Government has been operating a successful house rehabilitation program. Plans exist to scale down public housing schemes in favour of added emphasis on home ownership.

The housing industry in Newfoundland, if St. John's is representative, is characterized by higher material and lower labour costs than in the other Atlantic Provinces. The selling price of a standard bungalow in St. John's is considerably more than in the other major centres in the region. Construction employment overall was highly volatile during the 1960s, rising sharply from 6,100 in 1961 to 10,500 in 1966, and then falling to 8,500 in 1969. By 1971, it had reached an estimated 10,000. It is assumed that employment in this sector could total around 12,000 in 1980.

A large proportion of Newfoundland's labour force is now employed in the service sector. The growth in service employment over the 1960s was probably a function of the relatively small service base evident in the province during the fifties. There are unlikely to be any further exceptional

increases in service employment for a considerable period, not least because many of those currently working in the sector are underemployed. Nevertheless, employment could increase at a rate close to the national average.

In conclusion, a continuation of current economic trends would imply a reasonable degree of growth in Newfoundland over the 1970s. Recent developments have been generally as favourable as in other parts of the Atlantic Region. Employment grew faster than elsewhere in the area though not as quickly as in the rest of Canada. If historic net emigration rates were to be maintained, then the rate of growth in the provincial labour force could well decline, leading to a gradual drop in unemployment.

Assuming a continuation of current trends, employment in Newfoundland could rise from 139,000 in 1971 to 185,000 by 1980, which would imply a growth rate somewhat less than that prevailing over the 1960s. Employment in the commodity-producing sector could grow from 41,000 to 60,000, while the service sector could increase in size from 98,000 to 125,000. The projection for the service sector could well be an overestimate. Certainly, increased GPP would give service employment a boost but there is also substantial scope for rationalization within the sector.

DEVELOPMENT CONSTRAINTS

Historically, the distribution of population in Newfoundland has reflected the overwhelming dominance of the fisheries. People lived on the shoreline in bays and coves in close proximity to the inshore and offshore fishing grounds. During the present century, and over the past 25 years particularly, this situation has been changing as families have left the outports with the help of a government resettlement program and in response to other incentives. The result has been rapid growth in recent years in centres such as St. John's, Stephenville, Gander, Argentia and Labrador City. Nonetheless, the province's population remains essentially decentralized.

Since the war, as suggested in an earlier section, investment has been high--in recent years the per capita level has exceeded the Canadian average. Most of this investment, however, has involved public expenditures on construction and power development, and capital-intensive private sector investments in mining, pulp and paper, and offshore fishing. Much of the funding for infrastructure expenditures has come from federal transfer payments; much of the private sector investment has been supported by concessional financing.

These investments are helping to lay an industrial base in the province and to increase productivity. Their large-

scale capital-intensive nature, however, and the limited ability of the provincial economy to capture potential spinoffs, tends to minimize their impact on employment. Construction spending, which in recent years as suggested previously has generated about 32 per cent of the value added by the goods-producing sector, has meant expanding employment, but it is financed largely from outside the province and is not self-sustaining. While large investments have increased the contribution of the mining sector to around a third of the total value added in the goods-producing sector, this activity employs only about 6,000 people--around 4.0 per cent of the work force--and over 3,000 of these jobs are in Labrador. Notwithstanding the heavy investments in pulp and paper, the value added in the forestry sector has declined from nearly 20 per cent of the value added in the goods-producing sector in 1949 to only 3.4 per cent. Employment in fishing which climbed slowly to nearly 23,000 by 1964 has been falling since then; sharp declines in the inshore fishery have been only partially compensated by expansion in the capital-intensive offshore fishery.

The shift in Newfoundland's economy has in large measure been from small-scale localized activities to larger-scale developments. These latter operations for the most part, at least in their present form, generate a lower proportion of value added in the province; their large size and international orientation tend to make more difficult the development of local small-scale processing and related activities. Over the past twenty years, for example, the value added in the manufacturing sector has grown much more slowly than in the rest of the Atlantic Region; the value added by manufacturing as a proportion of the total value added by Newfoundland's goods-producing sector declined between 1949 and 1969 from 41 per cent to 17 per cent. In these circumstances, and given the rapid population growth in the province, it is hardly surprising to find that high unemployment, low participation rates and net out-migration are characteristic features of the Newfoundland scene.

In effect, like Nova Scotia, Newfoundland has a dual economy which tends to interact mainly at two points. The first is through price effects in connection with shelter, goods and services in centres where expansion is occurring. The second is through cost effects. Local small-scale enterprises, operating in traditional ways in traditional markets, have to compete for labour with construction projects, mining developments and so on and, in recent years, with welfare and other public assistance schemes made available at national rates. This situation undermines traditional patterns thereby adding further impetus to the already considerable forces for relocating and centralizing the population.

Notwithstanding these problems, there is a strong need to continue to attract major developments which can broaden the economic base of the province and provide enhanced opportunities for linking local investments to outside markets. At the same time, however, it is apparent that strong, positive efforts will be required to take full advantage of whatever particular assets exist at the local level if there is to be significant development. Much of what will occur in Newfoundland will likely be the result of locally-generated action made possible through deliberate public initiatives and support to establish effective services, technical capabilities and a framework for dynamic small-scale action.

OPPORTUNITIES

INTRODUCTION

Identifying opportunities and areas for government initiative is part of the continuing developmental process and should be undertaken largely by those responsible for, affected by, or able to influence subsequent action. In line with this, the following material is intended to illustrate what such an assessment of opportunities might produce. The activities identified are examples only and while the initial testing indicates that they are sufficiently real to warrant investigation, in following through it is more than likely that some will fall by the wayside and new ones emerge.

An assessment of the assets of the province against changing technology, markets and services indicates that substantial opportunities for viable development exist in sectors and in areas across the province. To take advantage of such opportunities in many instances, however, would require initiatives to bring about supporting changes in organization, competence and action often across many elements of the economy.

Whatever opportunities come along for major developments in Newfoundland - such as oil production and refining, another major ore development or other activity - the most significant development opportunity will likely be in the accumulation of many small scale activities associated with the development of human and physical resources, more or less where they are found throughout the province. Forestry, fisheries, tourism, small scale manufacturing and improved quantity and quality of service industries will likely constitute the main base for the structuring of a modern, dynamic economy and society in Newfoundland developing in accordance with its own aspirations. It may not be necessary, nor in fact desirable, to focus on a key development or to expend inordinate efforts to find and develop a few key industrial projects.

In these circumstances the opportunities which can be developed successfully would in part be determined by the general economic climate of the province and by the framework that could be provided for viable small scale development. Improved access to markets and materials, through improved transportation services, as well as services, technology and attitudes oriented to small scale activities, would be important elements in strengthening the potential for development. Within this framework, there would likely be a high return from initiatives and co-ordinated action to obtain maximum benefit from opportunities available across the province.

OPPORTUNITIES TO STRENGTHEN THE ECONOMIC BASE

The province has been limited in its access to supplies and to markets; its intra-province communication for commerce and services; its access to small scale technologies related to the province's particular situation; and its capacity to develop modern infrastructure. These facts have hampered progress in building up a base for viable self-sustaining activity in the province. There are, however, opportunities in each of these areas to bring about fundamental changes which can strengthen considerably the basic viability of the province. Accordingly, initiatives taken in these areas could have significant benefits throughout the whole provincial and perhaps in certain circumstances the regional economy as well.

The concept of the transportation gateway outlined in the paper on the Atlantic region could have profound impact on the course of the developmental process in Newfoundland. While the elements of the core system would not involve the province directly except in relation to bulk cargo, the system would be of a capacity and quality far superior and much less costly than any that could be put together to service the province or region on the basis of the local commerce. Accordingly, the development of this system would provide a major opportunity to gain access to supplies and markets for general cargo, particularly in Montreal, the U.K. and south of New York on the Eastern Atlantic seaboard.

In addition to continuing efforts in development of the bulk cargo deepwater port at Come-By-Chance the task in Newfoundland with respect to the container system would be to ensure that the provincial transport system was upgraded and that there were adequate links into it. A coastal container service established to penetrate the southeast U.S. and Caribbean market could be extended to terminate in Newfoundland. Such a service could be related to many Newfoundland centres by rail, air, truck and possibly by a local coastal container service. Should the latter prove feasible, it could

re-establish the viability of many of the centres along much of the coast of the province wherever opportunities existed.

In addition to access, it appears that in Newfoundland the basic viability of the economy will depend heavily, at least for the foreseeable future, on the growth and healthy development of the internal economy of the province. Thus, while some continuing physical concentration of the population would likely be desirable, to carry it very far would in fact be writing off local resources and assets that could be put to economic use. In fact, it might be better to look for means in the province to reinforce the viability of small areas. A local coastal container service, as suggested above, combined with market facility to foster the development of high value specialty products, as discussed later in the paper, could contribute to support of these areas and generate economic activity at the same time. There are, however, at least three other elements which could reinforce the capacity of small areas to contribute to basic provincial economic viability. These elements include improved access to services through improved low cost transport and communication; deliberate efforts to foster small scale technology; and widened understanding of the small area contribution to development.

Modern technology of transport and communications could enable the development of systems that would link together scattered populations to provide a market big enough for the buildup of services at two or three major centres. It should be possible, in this way, to foster the viable development of essential modern services to which Newfoundlanders can have easy access without all moving to live in those two or three centres. Modern communications technology is well advanced; the sea can provide access for cargo; and low cost local air travel can be provided well in advance of justification for an extensive road network.

Modern technology has developed and is capable of developing in many areas on the basis of small scale rather than large scale operations. Work has been done, for example, on community scale housing production which appears competitive with mass production techniques. The same is true in other production areas.

In general, there is a bias toward research and technology for large scale operation - mass transit rather than low cost low density transit; efficiency in communication through development of high capacity systems rather than decreasing cost of low capacity transmission. It might be feasible in Newfoundland to foster research on a small scale. Such research capacity could be made available to small areas in the province which seek to maintain or develop an activity

competitively, but not demanding a large population. In some instances only part of a function need be large-scale; in these circumstances the initiatives required relate not to research but to vertical and geographical integration. These capabilities and activities in the Newfoundland economy could be economic activities in their own right but would as well support the viability of small areas.

There is also a need for a widened understanding of the contribution to broad development that small groupings of communities can make in the modern, mechanistic society. The need is for an education process that supports the concepts and a role for small scale action, not in ignorance or nostalgia, but because of a heightened perception of the economic, social and environmental forces operating in the modern world. The infrastructure, technology and economic base to make small areas of Newfoundland viable, combined with an understanding of their role and a determination on the part of a growing number of people to make them work, can be a powerful force generating basic economic viability in the province.

As a final element, supporting infrastructure can help to strengthen the economic base. Since Confederation, large sums have been invested in Newfoundland to assist the province build up its public facilities from the most rudimentary public infrastructure of pre-Confederation days. While much has been done, substantially more is required and will be required as development continues to demand infrastructure facilities. The encouragement and servicing of economic growth will require improvements in provincial and municipal infrastructure. These facilities are the responsibility of those governments, but assistance is required if the facilities are to be improved at the required pace. Thus, a part of the efforts by the Department of Regional Economic Expansion will continue to be to offer to the province assistance for infrastructure in support of economic development.

SECTOR OPPORTUNITIES

The excessive fragmentation of the market and production process in Newfoundland limits the extent to which any individual element can take advantage of an opportunity. In these circumstances, many viable activities may need outside initiatives to enable each element to act in the knowledge that other essential components will be put in place. The approach proposed, therefore, is the initiation of direct joint efforts to identify opportunities or respond to private sector initiatives which require integrated action to bring them to fruition.

A number of such opportunities have been identified in the course of the review as examples of what might be generated by this process.

Fishing

The most significant development opportunities in the fishing industry in Newfoundland in the coming decade lie in further diversification and in increased value added to the products now being produced and shipped largely in raw form. In 1970 some 997,999,000 pounds of fish were landed at a value of \$34.8 million. Cod blocks, barrelled herring and barrelled lumpfish roe, together with other forms of sale, generated minimum additional value added; their export provided many hundreds of jobs in receiving countries.

A drive to increase value added and levels of activity in the Newfoundland fishery would have to deal with large and small scale operations and would require initiatives at a number of levels. In association with the private sector, efforts would be required for more efficient production, with better mechanisms for handling, grading, processing, transporting and marketing. As ability to expand value added activities is built up, possibilities could be explored for increasing supplies through fish farming, hatcheries and raw material imports from fish landings from foreign vessels, as well as securing and maintaining larger Canadian quotas for commercial species on the continental shelf. Efforts with respect to the latter continue to constitute a high priority for the Department of Environment.

An important area of action lies at the community level. Here, capability could be increased to permit the community to develop the opportunities available to the inshore fishery. The substantial potential for the processing of a variety of high value products, by-products and unused species would not require large, capital-intensive plants for successful production. It would, however, require improved plant management, marketing capability and closer operational ties to make maximum use of existing plant investment. These developments would affect the majority of fishermen, and be spread over the entire region.

Among the opportunities which could serve as a focus for initiatives in this approach to development in the fisheries sector some exploration has been undertaken with respect to fresh fish marketing, capelin-herring processing, lumpfish roe processing, and fish entrées.

The marketing of fresh fish has developed slowly due to distance, relatively lower prices of animal protein, and high costs of transportation and packaging difficulties. However, in view of recent changes the time seems opportune to market fresh fish in Canada and Europe by air freight. With wholesale prices for codfish in England at 70¢ per pound it is possible to earn a profit of about 20¢ per pound by shipping fish from Newfoundland. Prices tend to vary, however, and large scale market development activities may be necessary including perhaps some form of fresh fish marketing organization (public, private or a joint venture) concentrating on the most profitable species for fresh sale.

Capelin is a fish which has only recently come into widespread use. Norway has increased its catch from an insignificant level to about 1 million tons annually (including about 15,000 tons for food). The resource could provide a significant boost to Newfoundland industry, as capelin can be used for both food and fish meal and could release the increasingly more valuable herring for processing for food. If the Norwegian experience provides a guide, the capelin resource could easily surpass the value of herring. Furthermore, the processing of herring could provide a substantial number of additional jobs and the development of marketing systems to move the product to Europe could open up other fish export opportunities.

The lumpfish is becoming a valuable resource because of the demand for its eggs, a caviar-like delicacy. The untreated roe has been exported in increasing quantities. The specialized technology required to process the roe, and market the output is complex; but effective initiatives, such as cooperation with a Danish firm, could readily facilitate this development. As exports of roe are currently running at a rate of \$400,000 per year, the location of processing in Newfoundland might easily add \$1,250,000 - \$1,600,000 to the export value of the resource. Also the processing would provide a number of local jobs and open up marketing channels for other commodities.

Frozen fish entrée dishes, involving high value inputs in sauces, spices and dressings with careful cooking and handling are gaining increasing acceptance among consumers. Newfoundland firms should look to Canadian and European markets in addition to the U.S. (where tariff and other restrictions may continue to inhibit entry). New concepts in distribution for institutions such as hospitals, colleges, plant cafeterias and others are changing the whole marketing system. There may, in consequence, be possibilities for easier entry to U.S. markets direct to retail and food distribution companies. Entry into this system would be much easier now before market

relationships are firmly entrenched.

Minerals

Mineral production in the Province has a gross annual value of about \$330 million of which about \$280 million is from iron ore production in Western Labrador. The value of production on the island of Newfoundland amounts to about \$50 million and employs about 2,000 people. Exploration continues to hold high potential and could result in increasing production and value added. In a number of areas initiatives to shift more of the processing to the domestic economy could generate substantial benefits in jobs and incomes and assist in the build up of capability and diversity in the economy of the province.

The most important immediate potentials are gypsum, quartz, asbestos, fluorspar and pyrophyllite. In each case specific initiatives could well generate significant activity of benefit to the economy and in particular to the communities located nearby.

Newfoundland produces about 600,000 tons of gypsum and is a significant source of raw gypsum imported into the northeastern U.S. As U.S. requirements for gypsum are increasing at the rate of 430,000 tons a year and all existing U.S. plants are operating at capacity, it may now be opportune for a Newfoundland based plant to extend its operation. This would be directed to supplying a portion of the wallboard market in the northeast U.S.; but with a coastal container service in operation perhaps the southeast U.S. as well is open. Transportation has been a barrier due to the possibility of damage to wallboard, but containers appear to offer a solution to this problem. Furthermore the duty was reduced from 11 per cent to 6 per cent in January 1972 and the market demand for wallboard is strong.

Newfoundland's asbestos resource, though not very large, finds a ready market in Europe where it undergoes further processing. A substantial opportunity exists to process in Newfoundland a portion of the asbestos exported. If only 20 per cent of the asbestos mined were processed and made into an end-product, significant employment opportunities could be created near the mine; perhaps 500 permanent jobs and 1,000 man years of temporary employment.

Currently, pyrophyllite is being exported in its raw form. It has a value of about \$500,000 on export markets and provides employment for 33 people. The material is used to manufacture ceramic tile and, with successful initiatives in

integration and development of markets for local materials for housing, opportunities would exist for rapid and substantial increases in production and value added just for the domestic market alone.

Forestry

Newfoundland forests are not being used to their full productive capacity. In consequence there are opportunities for greater use of this resource. Initiatives to capitalize on these opportunities could generate significant development in the industry and so provide strong support to the communities within the forest belts. The annual value of forest production is currently about \$100 million, of which pulp and paper accounts for 73 per cent with lumber, poles, posts, and wood fuel accounting for the balance. This is a significant activity in the local area economies of Newfoundland.

As with other provinces in the Atlantic region the main constraints relate to land tenure, cutting and other practices which restrict the opportunities for effective use of the forests. Development of processes by which such problems can be resolved would make a major contribution. Combining this with improvements in transportation together with efforts to develop an integrated market for components and materials used in housing could generate major increases in incomes and employment.

Manufacturing

The geographic location of Newfoundland would indicate that the main thrust outside the local market should be towards Europe and possibly to centres on the eastern seaboard of the United States to which coastal container shipping can give access. The heavy transatlantic shipping traffic that will grow to utilize the transport gateway would provide rapid and dependable access into markets in many parts of Europe. The province might investigate ties with European manufacturers to produce some component or sub-assembly parts for their operations which could take advantage of technology and expertise already developed by those manufacturers. Such tie-ins would contribute to stability of markets and production patterns.

Given an effective local coastal container service tied into the mainland transport network, the eastern seaboard market also should be readily accessible from many centres in the province. As population increases, existing plants in the United States must encounter many problems such as accelerating wage costs, increased investment to finance expansions to meet growing demand, and environmental obstacles. In Newfoundland

these problems are not so serious and it is conceivable that facilities could be established to produce goods for this expanding market even if it were necessary to import raw or semi-finished products into the province for final manufacture and shipment to the U.S. market.

In these circumstances there are a number of possibilities which might prove profitable on close investigation. The Newfoundland Development Corporation could play a major role in this process encouraging and assisting in full participation of the private sector.

In the electrical products sector for example possible products for manufacture might include electrical wiring devices such as metal boxes and covers, conduits, plugs, switches, receptacles, simple controls, switch boxes, and switch outlet plates and others. None of these products is produced in Newfoundland, yet the value of electrical purchases to support the growing construction industry is well in excess of \$1 million annually and will increase as the construction industry moves forward to meet the increasing demands for housing, schools, office buildings, hotels, motels and ships. These products have a relatively high value-added content and are labour intensive. At present in the St. John's area a plant is operated by Canadian Westinghouse for motor rebuilding and there are at least fifty electrical contracting firms in the province. One or more of these might be able to undertake to supply the domestic and possibly the export market for electrical devices. In Canada, the industry is made up of small to medium size establishments; a scale that would fit in well with the local Newfoundland economy.

Only one operation in the electronic components sector has been tried in Newfoundland: the RKO Industries plant at Stephenville. It has not yet gone into heavy production and is having start-up difficulties. This would appear to be a type of industry that the province might well be able to support. The labour force would be primarily female, should be easily obtained, and could be trained in necessary technical skills. The finished product could be easily shipped out by air since the components assembled are small and lightweight.

Requirements for wooden fishing boats also present an economic opportunity. The inshore fishery is still active in Newfoundland but much of the fishing effort is changing from the traditional open boat to the long liner type vessel ranging from 45 to 65 feet in length. By using these larger wooden boats fishermen can move farther from shore and their home ports to take advantage of deeper water fishing and longer trips. It is

expected that as some of the Newfoundland bays are closed to foreign vessels, the use of these wooden ships will increase. Also in some parts of the province, notably sections of the south coast, the switch to long liners is only now taking place. The demand for these boats is high, with a backlog of some 300 and there will likely be a continuing demand for growth, repair and replacement.

Several boat building yards now exist in the province, but they do not appear able to keep up with the day to day construction and repair work even if there were no backlog. Much of the framework for long liners can be obtained locally and the investment in plant and equipment is not high in relation to the value of the finished product. There is a definite need for vessels of this type to be used in the Newfoundland fishery; a properly set facility of this type could be viable.

Essential for effective operation at Gander is a service centre to rebuild aircraft, aircraft floats and aircraft skis and other associated aircraft parts. Another part of this type of business could be the servicing of international aircraft. Since TOPS came into being at Gander, considerably more international charter and freight flights have used the airport, and the number of aircraft operating in Newfoundland, privately and commercially and by government is steadily increasing. The establishment of this type of maintenance base could definitely help to increase traffic. Other provinces in Canada have such facilities which operate profitably and provide employment to many tradesmen in the aircraft industry. The main difficulty in setting up such an enterprise is the scale required to render it immediately economical.

Housing

Newfoundlanders have traditionally lived in privately owned, single family dwellings. These dwellings, particularly in outport communities, were built by owners and often housed close relations as well as the immediate family. The houses were substantial, well built and fostered and supported a particular way of life. At the same time there was little need or room for a building industry.

These factors, combined with the forces of relocation and urbanization, have largely been responsible for the fact that, of the estimated shortfall in housing in 1971 of some 70,000 units in the Atlantic region, approximately half is in Newfoundland. Continuing growth in population, continuing mobility and relocation, and the slow build up of capability in this sector are ensuring the gap is continuing to widen. In 1971 only 7 units were built per 1,000 population compared

to 10 in Canada and 12 in Prince Edward Island.

There is therefore a major opportunity for economic development activity in meeting the requirements for housing. To the extent that an effectively integrated market can be created, opportunities also exist for substantially increased activity in local production and manufacture of materials and components such as lumber, cabinets and other wood products as well as ceramic tile and other products.

Initiatives to foster an increasing competence in the private and public sector to provide housing, would bring with them opportunities to reinforce (rather than undermine) existing and desired lifestyles. National styles and designs in housing, and traditional layouts of communities, need not necessarily apply to Newfoundland where traditions, climate, topography and lifestyles shift from community to community. By finding systems and technology that can support these variations, housing can contribute to the rich diversity of the province and the region, instead of producing a uniform dullness.

Tourism

The tourist industry offers Newfoundland some interesting opportunities for viable development. The province has unique attractions, and selective marketing and organizing efforts could generate significant income and income supplements to people in the province. The relative isolation of the province and its unique unspoiled coasts, the rugged and uninhabited wilderness areas and the attractive small bay fishing villages, may offer scope for the development of small scale but high value tourist facilities and activities.

The tourist industry in Newfoundland is relatively less developed than in the other Atlantic provinces. The total number of non-resident auto parties leaving Newfoundland in 1971, for example, amounted to 16,400 in contrast to a total for the Atlantic region of 1,997,000. Most tourists come with their families by ferry. Some fifty per cent of the ferry passengers arrive during the peak months of July and August with seventy-five per cent during the four months from June to September. Over forty per cent of those arriving by automobile in 1971 came to visit friends and relatives. In New Brunswick and Nova Scotia approximately twenty per cent of the visitors recorded the purpose of their trip being to visit relatives.

The recreation of the tourist families visiting the island consists mainly of camping, sightseeing from cars and perhaps some hiking. Most bring tents or camper trailers and

stay in the excellent provincial parks, their fares subsidized by the Canadian taxpayer and their accommodation costs subsidized by the province. Through a non-commercial fee structure almost all of their recreation is unorganized and free. The result is that there is very little return from them to the province - gas, park fees, some perishable foods and some roadside purchases. This would barely return the cost to the province of park development. It stimulates very little employment or economic activity. As their numbers increase these families present a potential threat to the resource they are enjoying.

Besides this form of tourism there is a small amount of convention activity in St. John's, some hunting and fishing lodge activity, and cruises on the normal sea and coastal service. There is little organized tour activity and no selectivity of target routes for promotional material. The potentials for generation of income from tourists in St. John's is substantial but not yet developed.

By shifting emphasis from trailer and public park camping to activities that utilize the unique tourist assets of the province, it may well be possible to generate much higher returns from tourism and at the same time provide support for outport centres where other viable activities are possible. A number of approaches can facilitate such a shift and following are examples of ventures that appear on preliminary investigation to be worth exploring seriously.

One direct possibility is the assembly and sale of packaged tours. The basic concept would be to maximize the economic return to the province from the major tourism resource - rural and wilderness environment - while permitting the minimum impact on that resource. Clientele would be selected and promotional material aimed and delivered directly to the potential client. Organizing tourist activities would protect the resource from the user. The tour implies maximum expenditure by the tourist in that he would pay for his transportation (rather than using his own car) and for prepared food, rented accommodation and purchased entertainment.

The basic resource is available; what is required is development and organization of facilities. Housing convertible to tourist homes is available throughout the rural areas and could be converted at relatively low cost requiring only clear licencing criteria and perhaps some loan funds. Organization would be required to create a dependable chain of such homes. Most meals would be provided at these homes, overcoming a major tourist problem. Local home cooking is interesting and high quality, while restaurant quality in the rural areas at the present time is undependable. Organizational work among outport

people would be required to develop local entertainment for the tour patrons: bay fishing, charters of small boats, beach picnics, etc., as well as the provision of quality crafted goods for sale.

A second possibility would be the organization of outport holidays. Many Newfoundlanders who are working and living outside the province return home for their holiday. After living in the city for 49 weeks they appreciate the opportunity to return to the family home to enjoy a quiet way of life. This way of life might appeal as well to other urban residents who are not Newfoundlanders, and programs might be developed which would make this available to them in an organized way.

Newfoundland has five large airports, four of which are on the Trans-Canada Highway and connected to the provincial network. Most communities are within a three hour drive of an airport. It is assumed that most tourists would arrive by air and a shuttle system by bus or car if necessary could be arranged.

Many outport homes have a spare room or two where they could accommodate guests. Outports have boats tied up for lack of use, school buses inoperative during the summer, and other facilities readily available. Many outports also have good cooks who are able to cater to the tourist looking for a simple home cooked meal of good quality. As well many outports have some affiliation with an area development association which, with its own efforts and in conjunction with the provincial association, could easily organize these holidays.

The programme would have to provide for basic standardization of service, fee structure, etc., with adequate flexibility for individual tastes and desires. Also required would be basic training to operators to ensure quality of service, and encouragement to communities to provide for festival special events, local talent, etc. Meeting requirements for training, upgrading of homes, and strengthening development association capabilities would have direct income benefits and could generate substantial social development within the receiving communities.

Possibilities may exist as well for fostering development of a recreation complex. The Marble Mountain area has the potential to become a major recreational development, providing tourist and local residents with comprehensive facilities for active as well as passive recreation. The area is well located in relation to tourist flow through the province, being approximately a one half day drive from the entry port at Port aux Basque.

The Gros Morne National Park is also within easy distance.

The development would centre around the major ski vacation area for winter use; while for summer use the area would appeal to tourists from the province, other parts of Canada and the United States. Although winter and summer will be normal peak seasons for general use, most accommodation and support facilities will function during the fall and spring hunting and fishing seasons. The site contains, in addition to most suitable climatic conditions, some of the finest ski terrain in the northeastern part of North America. This combination of assets could result in the area becoming one of the major international vacation and ski centres.

AREA OPPORTUNITIES

Newfoundland has little history of formal local government, but the rich history of the people of the province is very much the history of strong community. Changing technology and market forces since the war however, which have offered opportunities to individuals outside the community structure, have tended to undermine this structure and weaken the confidence and capability to mount local undertakings.

The broad opportunities with respect to transportation, communication and services identified earlier can provide the framework for strengthened community initiative. Direct initiatives, however, would be required to assist groups of communities to identify particular opportunities as major sector development proceeds, and to realize these opportunities.

The immediate opportunities for development within the reach of groups of communities concerned to act, can provide a focus around which the developmental process can be organized. The strategies, mechanisms and courses of developmental action will properly emerge from assessment of the opportunities and resources within the private sector and community itself. Accordingly the brief outlines of possibilities which follow are provided only to show the possible opportunity.

For purposes of description the province has been divided into four regions - Eastern, Central, West Coast and the Labrador region. These are much too large for developmental action, however, and in the course of support to the developmental process a number of small developmental areas would emerge where common social and economic bonds were perceived.

Eastern Region

This area includes the Avalon, Burin and Bonavista Peninsulas as well as the Bay D'Espoir area. Following a line overland it would include the headwaters of the Conne River, the upper reaches of the Terra Nova River and roughly to Clode Sound. There are approximately 294,000 people living in this area (approximately 60 per cent of the population of Newfoundland). The three peninsulas are easily definable developmental sub-regions, with a number of common characteristics.

There are five ice-free ports in the region, which have provided the base upon which shipbuilding facilities and deep sea harbour facilities have been created. It is this natural base upon which future deep sea fishing endeavours could develop. Characteristic of this region is the existence of a rural type economy in close proximity to urban areas, particularly in the Conception Bay area, Burin Peninsula and Musgravetown.

All highways, railways, airways and shipping lanes terminate in St. John's. This is the transportation link of the province and will continue to dominate the four regions in the foreseeable future. The province's only university is located in St. John's and the area has vocational and technical schools, a fisheries technical college and marine and agricultural research stations. This institutional base gives the Eastern region leadership in the field of education.

Opportunities for major development in industry, modern deep sea fishing, processing and manufacturing are to be found in this region. An effective developmental process in the St. John's area could be based on the shaping of a small but dynamic urban service centre, making imaginative use of the harbour, the working environment and the structure of the city to reinforce the charm and livability of the city. Added to this, a major dynamic element in the region would arise from initiatives for economic action in response to the extensive demands for housing as already outlined.

Other major benefits could arise through improved access to national and world markets and supplies. The deep-water port at Come-by-Chance could provide effective links into the bulk shipping routes of the world. Developments in oil refining are already proceeding; as indicated in the regional paper there is room for substantial expansion given a careful balancing of interests. Inauguration of a coastal container service link into the transportation gateway could enhance substantially the opportunities for developments dependent on

rapid, low cost and dependable access. Combining these activities with community initiatives along the shorelines, closely tied by technology into the transportation, communication and service network, could generate fairly rapidly a dynamic but decentralized society able to exercise substantial control over its own social, economic and environmental destiny.

Central Region

The central region of the province includes the drainage systems of two major river valleys: the Gander River and the Exploits River and their major tributaries. It also includes all lands between Partridge Point on the Baie Verte Peninsula in the north to Cape Freels in the south. Also in this region are the offshore islands and the offshore island groupings which include the Horse Islands, Bay of Exploits Islands, the New World Islands, the Change Islands, Fogo Island and the Wadham Island group.

Approximately 90,780 people live in this area. Some 22,000 people live in the major centres of Windsor, Grand Falls and Gander with the balance scattered in small settlements in the major islands and along the coast. Without major population groupings it will be more difficult for this region to establish sub-groupings for developmental purposes. However, it is immediately apparent that a large number of people occupy the island communities of New World Island, Twillingate, Change Islands, Fogo and Green Bay Islands. Many communities in the districts of Bonavista north, Fogo and Lewisporte have felt the full impact of resettlement. The mainland has provided a base for agriculture in the sheltered bays, particularly along the Lewisporte Coast.

With the development of the forest industry and the Trans-Island Railway, the growth of the interior urban centres of Grand Falls, Windsor and Badger, accelerated. Gander is the fastest growing centre in the region. Incorporated in 1959, it actually began to grow during World War II, due to its strategic location on the European flight path.

The central region contains rich stands of commercial timber which feed the many sawmills in the area and the pulp mill at Grand Falls and Corner Brook. The development of capacity to more fully process this timber, together with some of the opportunities available in the mining sector, have potential at least to generate substantial increases in income. Lewisporte is the main shipping point in the area, acting as a supply port for the islands, the northern coast and Labrador, as well as being a minor receiving port for goods into the area. Grand Falls is centrally located and acts as a receiving centre

across the region and to the Bay D'Espoir regions.

The Trans-Island Railway is one of the major supply routes for the area and also provides easy communication to St. John's and the West Coast ports. The Trans-Canada Highway traverses the area, which has a good system of roads connecting most of the shore communities.

Social services in the area are reasonably well organized and deployed. There are a number of good schools but some of the buildings are run down. Levels of unemployment appear to be uncomfortably high, with employment tied to the seasonal variations of both the inshore fisheries and the forest industry. At the same time the area has a housing shortage, with many people wanting to move to the urban centres, but unable to find adequate accommodation. Infrastructure is not available in a number of the expanding communities and this too affects the social adjustment of the population.

If the housing demand is sufficient to sustain an orderly development of the housing sector, this would be an excellent opportunity to generate increased incomes and employment. As well, there are opportunities for expansion of activity in Gander if means can be found to maintain the momentum of development as an international airport. This would provide rapid access to world wide markets for high value products which could be produced in the area.

West Coast

This area encompasses the Newfoundland west coast from Ramea to St. Anthony and would include all of the great northern peninsula. It includes two major river valleys, the Humber and the Codroy. There are approximately 85,335 people living in this area, just over half of them in the centres of Corner Brook, Deer Lake, Stephenville and Port-aux-Basques. These centres would undoubtedly form the nucleus of developmental areas within the region. The population of Burgeola Poile is scattered but the people traditionally look to Port-aux-Basques for their identity. The influence of the Acadians is particularly noted in the area of Port au Port.

For the south coast and northern peninsula communities the opportunities for improved transportation and communications will substantially improve access to communities within the region which would make possible significant development and expansion of a diversified fishery.

For the Deer Lake - Corner Brook - Stephenville cluster, serving the needs for housing and for serviced land

can generate increased activity and resolve mounting problems. Support to forestry development will generate significant opportunities if ventures can be organized for maximum development of high value forestry related industries. In the Gros Morne area, encouragement to entrepreneurial talent can result in local benefits from the development of the Gros Morne Park.

Labrador Region

This area comprises the mainland part of the province, the Territory of Labrador. The region has a total population of approximately 28,200, in three general zones including the coastal rural, interior industrial, and Lake Melville. Labrador has a common boundary with Quebec, and part of its communication is with that province. Labradorians relate to the Island of Newfoundland, and proximity to Quebec is often seen as a threat rather than as an avenue of opportunity. At Churchill Falls, for example, except for supplying some of the construction labour, the activity generated and being generated by the project is creating at best only minor benefits for Newfoundland.

The eastern shore of Labrador forms the coastal rural zone. Common to most of the zone is the inshore fishery, mostly of the traditional trap skiff, salted variety. Forestry is a factor at Sandridge Bay and Lake Melville. Forestry resources have been virtually untapped but are now "on tap" for the linerboard mill at Stephenville and possibly for the mill at Come-by-Chance. The coast of Labrador is extremely isolated, having virtually no roads, no television reception, no year-round boat service and no regular airline service. This zone is the most diversified of the province ethnically, with relatively large populations of Eskimos, Indians and white settlers.

The interior industrial zone consists mainly of the twin towns of Labrador City and Wabush, to which may be added Twin Falls and Churchill Falls. These towns are for the most part new and modern, but suffer from isolation common to frontier towns. Other than being on the same land mass, they have little connection with the coastal zone.

The focus of the Lake Melville area is on the twin towns of Goose Bay and Happy Valley which sprang up around the defence-oriented airport and are now diversifying into logging operations. Plans are under way to prepare for an eventual phaseout of the U.S. military operations which may take place in three years.

Labrador is a large block of wild and beautiful land with an extremely fragile ecology and where the strongest realities are realities of nature. The overriding constraint is climatic, the winters are long and unfavourable and the summers pleasant, but short. The harbours are icebound for five or more months of the year. Most businesses are local, small, and fragile; fire or natural disaster can be a calamity to a community. Coupled with this is substantial resource activity and much suspected mineral wealth which is unmapped and unexplored.

The direction of developmental activity in this region, therefore, would likely focus on measures to continue exploitation of the natural wealth but with major efforts to establish ways in which the resource base can support and contribute to the basic economy of the province. Concessional financing, low royalties, capital intensive activity and sale of raw product generate minimum returns to assist the buildup of a viable provincial economy. Action to improve this payoff to the province and Canada could be taken without promoting major population expansions and, through the establishment of firm standards, without environmental destruction.

EXCERPTS FROM MINISTERIAL STATEMENT¹

The economic circumstances and opportunities outlined in this paper and similar papers for other provinces and regions of Canada have been produced as part of the review of policies and programs carried out by the Department of Regional Economic Expansion over the past year. This review, and tentative policy approaches resulting from it, were discussed by the Honourable Don Jamieson, Minister of the Department of Regional Economic Expansion, in his opening statement to the Standing Committee on Regional Development of the House of Commons on April 10th. Following are excerpts from that statement:

....When the Department of Regional Economic Expansion was established in 1969, it was given a broad mandate to bring together a number of predecessor programs and to develop a much more comprehensive attack on regional economic disparities....The Department was quickly organized; it gave new impetus to the programs it inherited, notably those concerned with rural development; it introduced major new programs placing an increased emphasis on federal support for public investment in infrastructure as a means of developing selected urban centres and on federal financial incentives as a means of stimulating private investment in job-creating plant and equipment; it reinforced its initial momentum with subsequent initiatives, notably those providing for different kinds of development corporations in the Atlantic Region and for assistance to agricultural service centres in the Prairie Region; and it was provided by

¹ Statement prepared for delivery by the Honourable Don Jamieson, Minister of Regional Economic Expansion, to the Standing Committee on Regional Development of the House of Commons.

Parliament with authority to increase its expenditures from \$240 million in its first year to over \$500 million in its fourth year of operation....The bulk of its activity has been carried out under federal-provincial agreements, providing it with a unique and challenging experience with co-operative working arrangements between the two senior levels of Canadian government....

Because of new ground being broken in a complex and largely unexplored field, it was understood from the beginning, in the context of a long-term federal commitment to the basic objective, that a degree of experimentation would be required and that, with the passage of time and the accumulation of experience, modifications and even basic changes in Departmental policies and programs would have to be considered. This was reflected in a number of public statements. It was reflected also in some of the underlying law -- for example, in provisions of the Regional Development Incentives Act setting time limits on the periods during which applicant companies could bring projects into commercial production and remain eligible for payment of offered incentive grants.

Against this background, a decision was made last spring to undertake a major review of policies and programs. The provincial governments were informed of the decision and were assured that the results of the review would be the subject of consultation with them as soon as possible in 1973. I would like to make it clear that, until consultations with the provinces have been completed, no final conclusions about our findings will be drawn and no final decisions about basic changes in existing programs or major new initiatives will be made.

The review has been conducted in what I consider to be a very thorough manner. A large number of studies have been made, using staff drawn from different parts of the Department and other federal agencies and a variety of outside consultants. Quantities of valuable information have been sought and obtained from the provincial governments. And, particularly in the latter stages of the review, there has been a substantial amount of inter-departmental discussion in Ottawa.

Although a good deal of attention has been paid to existing programs, particularly RDIA, the review has been essentially forward-looking, concentrating heavily on analyses of regional economic circumstances and opportunities -- the types of analyses that, in our view, should make a valuable contribution to decision-making about ways and means of improving the effectiveness of federal-provincial efforts to reduce regional disparities and produce more balanced economic growth across Canada

In working with my officials, and in discussion with my colleagues, I have become increasingly impressed by the range of opportunities for economic development that exist in most parts of this country and by the large number of public policies and programs that bear, or could be brought to bear upon a concentrated effort to realize some of these opportunities. This is what has led me to speak publicly in recent weeks about the possibilities inherent in a "multi-dimensional approach" -- an approach that would call for the identification and pursuit of major developmental opportunities by means of the co-ordinated application of public policies and programs, federal and provincial, in cooperation where appropriate with elements of the private sector. I intend to explore this concept with the provincial governments and am prepared to consider its use as a basis for new federal-provincial initiatives in the field of regional development.

Application of the concept would require continuing analyses of regional and provincial economic circumstances and opportunities. As part of our own policy review, as I mentioned earlier in my statement, we have devoted most of our resources to analyses of this kind. Staff papers setting forth the results of our work have been prepared for the Atlantic Region and each of its four provinces, for Quebec and Ontario, for the Western Region, each of its four provinces and an area called the Western Northlands that was arbitrarily defined for analytical purposes.....

Although based on a fair amount of staff work, the opportunities [outlined in the papers] do not represent federal commitments or federal proposals

for provincial or regional developmental strategies. They are designed simply to illustrate the potential advantages of an approach to development based on the identification and coordinated pursuit of major developmental opportunities....

Let me be very clear on one point. Consideration of possible changes and new initiatives will in no way affect the determination of the Government to continue its efforts to reduce regional economic disparities in Canada. Our commitment to the basic objective stands firm and has indeed been intensified by the results of our policy review. What we are now seeking, what we will continue to seek, are ways and means of improving the methods used to produce greater, more satisfying and more productive employment opportunities in the slow-growth regions of the country.

....The results of our review suggest that, although there is room for improvement, as there always is, the programs are producing beneficial results at a reasonable cost. Present commitments under all these programs will of course be honoured. The programs themselves will be continued unless and until there are clear indications, arising from federal-provincial consultations, that the funds involved can be redirected in such a way as to increase the effectiveness of the overall effort.

The present programs tend to focus on particular factors in economic development, each of which is important, and to provide financial assistance related to those factors. Most notable are the incentives program which is designed to stimulate private capital investment in manufacturing and processing facilities, and the special areas program, which is designed to stimulate public capital investment in defined growth and service centres. I have no doubt that federal government support for capital investment in slow-growth areas will continue to be an important element in regional development policy. But it may be that available support for this factor can be made more productive if it is made more flexible, so that it can respond to developmental opportunities that do not fall neatly into the categories of secondary manufacturing investment and

special areas infrastructure investment. I will therefore be exploring with the provincial governments ways in which the staff and financial resources of my Department could be used more flexibly in a manner that would be even more responsive to variations, from region to region and province to province, in economic circumstances and opportunities.

....It is my tentative conclusion that optimum results in developing our slow-growth regions will require the coordinated application of policies and programs that bear upon specific opportunities. What I am contemplating is a continuing process whereby the federal and provincial governments could identify major developmental opportunities and pursue them together, endeavouring to use the relevant policy instruments available at both levels of government. DREE programs, marked by increased flexibility, would be among the relevant instruments.

Perhaps an example would help to illustrate the suggested approach. In parts of some slow-growth regions, the forests provide an important potential foundation for increased employment and production. At the present time, my Department can help to build on that foundation by assisting in studies of the resource base and the market possibilities and by providing incentives for private investment in wood-using processing and manufacturing facilities. But optimum results may depend on a wide variety of factors. Improved access to markets, involving trade and transportation policy, may be involved. Land tenure laws or practices may affect the situation. Special efforts in both the public and the private sector may be needed to avoid environmental damage. Existing storage and distribution facilities may represent an impediment. Community development may require support for both the planning and capital investment required to accommodate industrial facilities and provide a reasonable quality of life for workers in both woods and plant activities. Man-power training or mobility programs may be desirable or necessary. These are only some of the factors that could be involved in realizing a potential opportunity. In such circumstances, optimum results may call for concerted action by a number of organizations in the private sector and in the federal, provincial and municipal segments of the public sector.

The example may help to indicate why I am

suggesting a "multi-dimensional approach". It seems to me that such an approach could be developed over-time as a means of strengthening the federal-provincial attack on regional disparities by focussing, in a manner consistent with national goals, on strategic opportunities for economic development in the regions of slow-growth throughout Canada. As I have already indicated, there appear to be many opportunities to expand employment and production in these regions in a manner that could contribute to total national wealth. It seems to me that, if properly developed, the suggested approach might attract the strong support of the private sector, which has been known to complain about the lack of government coordination in matters affecting economic development.

A good deal of thought has been given to the mechanisms that might be used to apply the concept, which would call for a high degree of interdepartmental coordination at both the federal and provincial levels of government. I think that appropriate mechanisms could be developed and I also think that, if the potential benefits to the Canadian people were demonstrable, the required degree of intergovernmental and interdepartmental coordination could be achieved.

The proliferation of public programs over the last twenty-five years has made improved government coordination a matter of some urgency in our society. I am not naive, however. I know that experience would suggest that coordination for its own sake, in the abstract, is difficult to achieve. But I am not talking about coordination in an abstract sense. I am talking about coordination in pursuit of limited and carefully defined objectives related to major developmental opportunities that have been identified jointly by the two senior levels of government. It seems to me that this kind of coordination should be regarded, not just as possible, but as something close to essential in this country.

I might mention in passing that, in planning the reorganization of the Department required to achieve the increased decentralization referred to in the Speech from the Throne, we are endeavouring to build in elements that would enable us to play an effective role in the development of a "multi-dimensional" approach to regional development in

Canada. Planning for the reorganization is now moving ahead quickly and I hope, before too long, to announce our intentions in more specific terms.

One final point. Today I have spoken at some length about a possible new approach to regional development. I am optimistic about its potential and I believe that, if it were to be applied as a basis for new initiatives, with the full support of the provincial governments, it might in time increase rather dramatically the effectiveness of the national effort to reduce disparities. But I am very conscious of the danger of raising expectations to unrealistic levels. The suggested approach could be a means of bringing about important improvements in federal-provincial cooperation in matters affecting economic development. It could be a means of moving us more rapidly toward important national goals. But I am not offering it as a panacea. I do not believe in instant solutions.

